

REPORT TO THE LEGISLATURE
STATE OF HAWAII
2006

Deposit Beverage Container Program

PURSUANT TO SECTION 16, ACT 176, TWENTY-FIRST LEGISLATURE 2002
AND SECTION 2, ACT 228, TWENTY-THIRD LEGISLATURE 2005.
REQUIRING THE DEPARTMENT OF HEALTH TO GIVE A REPORT ON THE
ACTIVITIES OF THE DEPOSIT BEVERAGE CONTAINER PROGRAM

PREPARED BY:

STATE OF HAWAII
DEPARTMENT OF HEALTH

February 2006

EXECUTIVE SUMMARY

The Department of Health is pleased to report that Hawaii Deposit Beverage Container Program is on the way to reaching its goal of 80% redemption of deposit containers. The monthly redemption rate rose from 20% in January 2005 to a high of 81% in July 2005. Overall the program's total deposit containers redeemed vs. total deposit containers collected is at 56% (October 2004 January to December 2005). The annual redemption rate for the first year of the program is 61% (January 2005 to December 2005), which surpassed California's rate of 55% during the first year of their deposit program in 1988. The department made it a goal to reach an 80% redemption rate since other states with a 5¢ deposit value average 80%. The Hawaii program's current monthly rates are an encouraging sign and an indicator of the success of the program.

New redemption center sites have opened bringing the number of certified sites across the state to 77. This is up from a total of 44 at the start of January and 56 sites last reported to the legislature in February 2005. While there is some dealer (retail store) involvement, the public would like more, based on complaint calls to the department.

As of December 31, 2005 the department collected approximately \$58.7 million in container fees and deposits from distributors. The department paid out almost \$35 million to redemption center operators for redeemed deposits and eligible handling fees. Around \$2 million was spent on administration of the program. The special fund had slightly more than \$7.5 million remaining after encumbrances. The program collects 6 cents per container but pays out between 7 to 8 cents per container. At around 75 percent redemption, the program breaks even. The law provides that if the redemption rate for an entire fiscal year exceeds 70 percent, the container fee will be increased from 1 cent to 1.5 cents per container on the next 1st day of September.

The number of calls for either more information on the program or complaints has decreased since the first three months. The topics of complaint calls have also changed as the program has evolved.

The data presented and utilized in this report reflects that data collected as of December 31, 2005.

I. DEPOSIT PROGRAM KEY INDICATORS

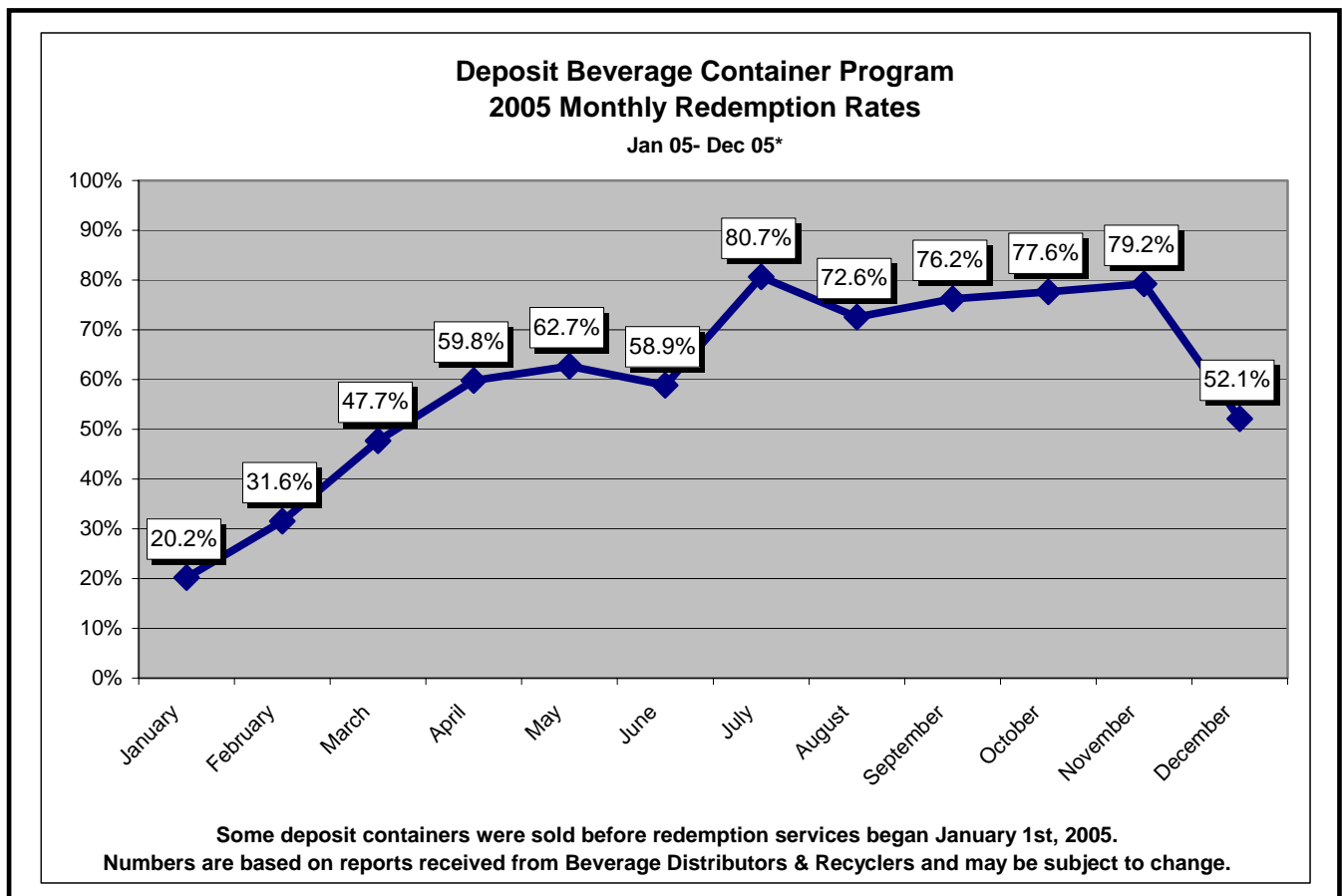
Deposit Container Redemption Rate

The redemption rate rose from 20% in January 2005 to a high of 81% in July 2005. The chart below shows redemption rates of actual deposit containers redeemed compared to deposit containers sold by month. The data presented in the Redemption Rate Chart is specific to deposit containers and does not include non-deposit containers.

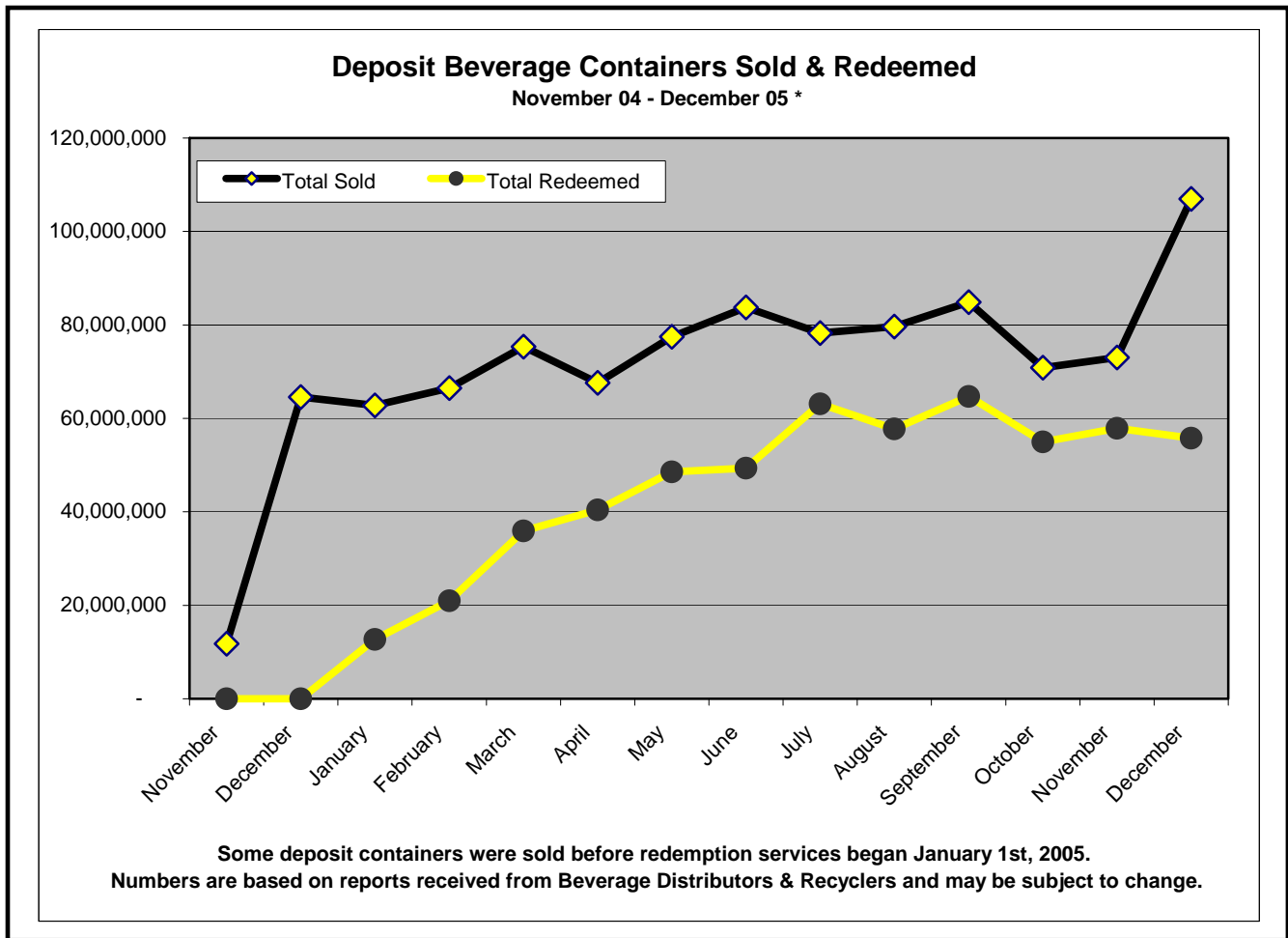
The redemption rate is calculated by the number of deposit containers redeemed divided by the number of deposit containers sold.

$$\text{Redemption Rate} = \frac{\# \text{ deposit beverage containers redeemed}}{\# \text{ deposit beverage containers sold}}$$

Redemption Rate Chart



Sales and Redemptions Chart



FY 04-05

	October	November	December	January	February	March	April	May	June
Total Sold	343,816	11,760,770	64,555,995	62,747,413	66,476,792	75,327,456	67,607,818	77,434,356	83,781,172
Total Redeemed	-	-	-	12,678,438	20,975,735	35,907,840	40,442,643	48,568,168	49,325,410
Redemption Rate	0.0%	0.0%	0.0%	20.2%	31.6%	47.7%	59.8%	62.7%	58.9%

FY 05-06

	July	August	September	October	November	December
Total Sold	78,244,826	79,622,942	84,844,501	70,835,179	73,059,782	106,976,580
Total Redeemed	63,107,235	57,778,367	64,685,785	54,992,559	57,874,453	55,782,156
Redemption Rate	80.7%	72.6%	76.2%	77.6%	79.2%	52.1%

Payments to Certified Redemption Centers

All Certified Redemption Center sites are submitting deposit and handling fee request forms. The department has been able to process the majority of payments within 2 weeks. Incomplete forms or questions related to verification documentation that are submitted to the department may delay payment.

Charities and Fundraising

The program has provided a new opportunity for schools and non-profits looking for ways to raise funds through donation programs. Fundraising efforts complement the program and contribute to the overall number of containers recycled by encouraging people who are not motivated to recycle for a 5¢ deposit. These people may only recycle to help their favorite organizations raise funds. Some fundraising efforts to date include:

- Schools and churches run collection drives and partner with recyclers to receive deposits.
- Charitable Ventures Hawaii organizes fundraising opportunities and, due to the success of their effort, plan to continue services.
- The National Kidney Foundation of Hawaii has expanded their pick-up service for donated household goods to include deposit containers. The NKF plans to continue requesting container donations.

Certified Redemption Centers

As of December 31, 2005, the department has certified 77 redemption centers including, 58 stationary sites and 19 mobile truck sites. This is an increase of 33 new sites since the start of January 2005. The majority of the new sites are located on Oahu. Redemption centers are open for a total of 2,185 hours per week across the state. See table below for breakdown by island.

Island	January 2005	December 2005	Weekly Hours of Operation (December)
Hawaii	5	11	358
Maui	9	9	382
Molokai	1	1	37
Lanai	1	1	15
Oahu	23	49*	1,247
Kauai	5	6	138
Total:	44	77	2,185 hours per week

* Four sites are located on military bases and not open to general public. Hours from these sites, amounting to 28 hours, are included in the column titled "Weekly Hours of Operation."

A few dealers (supermarkets) have allowed recyclers to operate redemption centers in their store parking lots. These sites are open for business 1-2 days a week and are serviced through mobile trucks with Reverse Vending Machines (RVMs). These sites

are included in the table above. The table below shows locations and operating hours per week.

Supermarket Locations 2005	Days per week	Hours per week
Times McCully	2	12
Times Beretania	2	12
Times Kahala	2	12
Foodland Beretania	1	6
Foodland Aina Haina	1	6
Foodland Kaneohe	1	6
Foodland Ewa Beach	1	6
Stadium Sack & Save	1	6
KMCB Hawaii – Base Exchange	1	5

Additionally, one retailer has been operating his own redemption services. The Aloha Shell Station on Maui offers redemption services through Reverse Vending Machines. The location is an independent registered redemption center working with a larger recycler to process the materials and move them to an end market for recycling.

Environmental Indicators

As of December 31, 2005, nearly 40,000 tons have been diverted from landfill and recycled.

Material Type	Tons (Diverted)	Avoided Landfill Space* Volume (Cubic Yards)
Aluminum	4,530	38,056
Glass	29,228	87,684
Plastic	4,505	44,143
Total	38,263	169,883

* Avoided landfill space is based on loose material densities, compaction factors and a 13 percent addition for cover. This calculation was taken from the Tellus analysis used in *Recycling For The Future – Consider The Benefits*, White House Task Force on Recycling, November 1998.

To determine the program's impact on litter, the department is waiting to receive reports from The Ocean Conservancy's International Coastal Cleanup event. Every September volunteers help clean up coastal areas and record the types and numbers of debris they find. Data is compiled into reports and released the following year in spring. While the department has the Hawaii Summary Report for 2004, it will need to obtain the 2005 report when it is completed in order to evaluate if the program resulted in a decrease in coastal litter.

II. DEPOSIT BEVERAGE CONTAINER SPECIAL FUND

Revenue and Expenditures

From October 2002 to December 31, 2005 the department has collected around \$58.7 million in container fees and deposits from distributors. In October 2002 the law first required the department to collect 0.005¢ container fee, and in October 2004 the law required the department to collect the 1¢ container fee and the 5¢ deposit. From October 2002 through December 2005, the department paid out almost \$35 million to redemption center operators for redeemed deposits and eligible handling fees. Around \$14 million was encumbered as of December 31, 2005, including \$1.7 million for three counties for redemption operation support and 11.7 million for redemption center operators for redeemed deposits and eligible handling fees. In addition to the encumbered \$14 million, another \$3 million is reserved for redemption center and recycling infrastructure improvement grant under Act 228, 2005. This Act also stated for money to be used as rebates for retailers who purchased reverse vending machines however, no retailers applied before the statutory deadline of December 31, 2005. By December 31, 2005, around \$768,000 was provided to three counties for redemption operations on their islands, and \$1.3 million was spent on administration of the program. The department estimates the total program cost to recycle each container is approximately 3¢ per container (including handling fees paid to recyclers).

October 2002 – December 31, 2005

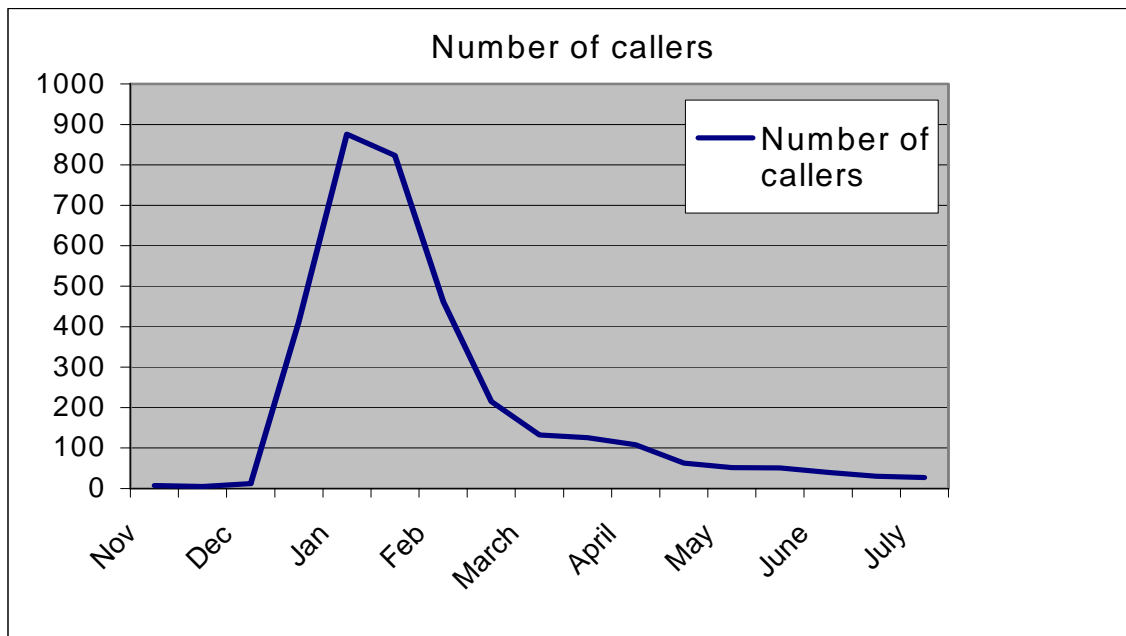
Revenue		
Distributor Payments		
Deposits (5c/container)	\$ 40,618,881	
Container Fees (1c/container)	\$ 17,431,774	
Interest (from Bank)	\$ 639,220	
Total Revenue		\$ 58, 689,875
Expenditures		
Payments to Redemption Centers		
Deposits (5c/container)	\$ 26,406,421	
Handling Fees (2 or 3c/contr.)	\$ 8,532,543	
Subtotal	\$ 34,938,964	
County Support		
County of Hawaii	\$ 482,695	
County of Maui	\$ 258,496	
County of Kauai	\$ 26,825	
Subtotal	\$ 768,016	
Administrative Expenses		
DOH Payroll	\$ 377,667	
DOH supplies, phone, misc.	\$ 198,547	
Advertising	\$ 645,409	
Other	\$ 108,163	
Subtotal	\$ 1,329,786	
Total Expenditures		\$ 37,036,766
Unspent before encumbrances		\$ 21,653,109
Encumbrances		
For redemption center payments <i>(for 12 months, From January to December 2005)</i>	\$ 11,794,757	
For County Support	\$ 1,715,615	
For marketing, admin, misc.	\$ 607,599	
Total Encumbrances		\$ 14,117,971
Unspent after encumbrances		\$7,535,138
Reserved for Act 228, 2005		
For contracts (redemption center & recycling infrastructure improvements)	\$ 3,000,000	

With current fees and expenses, the program breaks even at a redemption rate of around 75%

III. INFORMING AND LEARNING FROM BUSINESS AND THE PUBLIC

Program Outreach

The department set up a hotline through the Aloha United Way 2-1-1 public service program to help callers with questions about the Deposit Program. The 2-1-1 telephone number was posted on all marketing material and was accessible to callers 24 hours a day, 7 days a week. The hotline was maintained until August 2005. The chart below shows the number of calls assisted by AUW.



Educational Outreach

The department funded special kits for teachers. The department contracted with the University of Hawaii Sea Grant Program to develop and provide educational and outreach materials and services to schools and other non-profit organizations on a short-term basis (5/15/05-8/31/05). Sea Grant developed a Teacher's Kit designed to provide information about recycling and how to develop a successful fundraiser collecting deposit containers. The kit, packaged in a bag made of recycled plastic, includes a 35-page *Educator's Guide*, a CD-ROM with an electronic version of the guide and additional information, pencils made of recycled plastic, a poster of the *Top Ten Reasons to Recycle*, magnets with the program contact information and iron-on t-shirt transfers that students can color themselves. The response has been positive from teachers and parents who are working to organize deposit fundraisers. Teachers have also provided a very encouraging response by utilizing the kits for their classroom lessons. In the future, the program plans to partner with non-profits to further educate schools on the deposit beverage container program and recycling.

IV. ENFORCEMENT & INSPECTIONS

The department has received and followed up on 330 complaints from January to December 2005. The most common complaints by month are as follows:

Month 2005	Most Frequent? Complaints
January	1. Containers not labeled and consumer charged the deposit.
	2. Not enough redemption center locations and convenient hours of operation.
	3. Beverage containers are not labeled and are eligible product (did not pay a deposit) at: store; and home.
	4. Charged General Excise Tax (GET) on deposit
	5. Segregated rates not accurate
February	1. Containers not labeled and consumer charged the deposit.
	2. Redemption centers are closed and/or full.
	3. Segregated rates not accurate
	4. Centers not accepting specific material types: glass, bi-metal, or plastic.
	5. Rude staff/operators of redemption centers
March	1. Redemption centers are closed and/or full.
	2. Not enough redemption center locations and convenient hours of operation.
	3. Containers not labeled and consumer charged the deposit.
	4. Redemption centers not redeeming the deposit on eligible deposit containers. Redemption centers refused the containers.
	5. Centers not accepting specific material types: glass, bi-metal, or plastic.
April	1. Redemption centers are closed and/or full.
	2. Not enough redemption center locations and convenient hours of operation.
	3. Redemption centers not redeeming the deposit on containers that the complainant says are eligible deposit containers.
	4. Centers not accepting specific material types: glass, bi-metal, or plastic.
	5. Redemption centers have long lines and wait times.
May	1. Redemption centers are closed and/or full.
	2. Containers not labeled and consumer charged the deposit.
	3. Centers not accepting specific material types: glass, bi-metal, or plastic.
	4. Not enough redemption center locations and convenient hours of operation.
	5. Redemption centers have long lines and wait times.
June	1. Redemption centers are closed and/or full.
	2. Redemption centers have long lines and wait times.
	3. Centers not accepting specific material types: glass, bi-metal, or plastic.

	4. Not enough redemption center locations and convenient hours of operation.
	5. Rude staff/operators of redemption centers
July	1. Redemption centers are closed and/or full.
	2. Centers not accepting specific material types: glass, bi-metal, or plastic
	3. Segregated rates not accurate
	4. Not enough redemption center locations and convenient hours of operation.
August	1. Redemption centers are closed and/or full.
	2. Centers not accepting specific material types: glass, bi-metal, or plastic
	3. Not enough redemption center locations and convenient hours of operation
September	1. Redemption centers are closed and/or full.
	2. Redemption centers not redeeming the deposit on eligible deposit containers.
	3. Centers not accepting specific material types: glass, bi-metal, or plastic
	4. Redemption centers not paying full refund value
October	1. Centers not accepting specific material types: glass, bi-metal, or plastic.
	2. Rude staff/operators of redemption centers.
	3. Not enough redemption center locations and convenient hours of operation
	4. Segregated rates not accurate.
November	1. Segregated rates not accurate.
	2. Containers not labeled and consumer charged the deposit.
	3. Retail stores charging full refund value to non-eligible containers
	4. Rude staff/operators of redemption centers.
December	1. Segregated rates not accurate
	2. 50 container count is too low, inconvenient.
	3. Containers not labeled and consumer charged the deposit.
	4. 7 day expiration date voucher is inconvenient
	5. Not enough redemption center locations and convenient hours of operation

The number of complaints for the first half (January to June) of 2005 (total: 230) declined by more than 50 per cent in the second half of the year (total: 100).

Inspections for Compliance and Complaints

As a way to inform distributors, retailers, and recyclers on the requirements in law, the Program Inspectors visit businesses to help with compliance. Additionally, inspectors will conduct site visits at businesses that have received complaints that warrant further investigation. Businesses that are not in compliance with the law are issued warning letters to inform them of actions they need to take to help bring them into compliance.

Month 2005	Compliance Inspection	Complaint Inspection	Warning Letters	Follow Up to Warning Letter
January	27	5	-	-
February	30	2	3	-
March	3	8	1	-
April	9	9	-	-
May	8	7	1	-
June	31	1	-	-
July	5	4	4	-
August	2	5	7	2
September	16	1	4	-
October	11	12	2	2
November	5	-	-	-
December	28	1	-	-
Total	175	55	22	4

V. CHALLENGES

Segregated rate.

The department adopted “segregated rates” (weighing rates for separated types of containers) to help process containers faster and to give the public options on how to redeem containers to recover their deposits. The Department revised the segregated rates on March 23, 2005. The revision was the result of a statewide sampling to determine the average number of beverage containers per pound. The segregated rate is an average because beverage containers come in a wide variety of sizes and weights. The old rates were and new rates are:

Deposit Container Material Type	01/01/05 – 03/22/05 # Containers per Pound	03/23/05 until Further Notice # Containers per Pound
Aluminum	30	30.0
Bi-metal	8	8.0
Glass	2	2.4
Plastic (PET & HDPE)	12	16.6

The weighing of containers upset consumers who were not getting back 5¢ back for every container. They wanted a count of all containers instead of weighing.

Consumers have a choice to request redemption by weight or by count. They can request a hand count, and redemption centers must provide a hand count of loads of 50 or less containers if requested. Some redemption centers have reported to the department that they are hand counting larger loads. If people believe that the weight rate may undercount, as may happen if many small plastic containers are involved, they can segregate the containers by size and seek a hand count. People who bring in *large loads* of deposit containers may choose to have their loads weighed to avoid waiting while each container is counted.

VI. ADMINISTRATIVE RULES

Administrative Rules

Hawaii Administrative Rules Chapter 11-282 was approved by the Governor and became effective July 1, 2005. The rules provide: 1) clarifying definitions; 2) reporting and container labeling requirements for distributors and dealers; 3) provisions for inspections and enforcement procedures by the DOH; 4) exemptions for dealers from redeeming containers; 5) requirements for redemption center certification and operation; 6) requirements for recycling centers; 7) a method to calculate the numbers of different types of containers per pound; and 8) other procedures for the DOH.

Public Hearings.

Five public hearings were held in all 4 counties in April 2005.

- | | | |
|----|---------------------|-----------------|
| 1. | Hilo, Hawaii | April 13, 2005 |
| 2. | Kailua-Kona, Hawaii | April 14, 2005 |
| 3. | Honolulu, Oahu | April 19, 2005 |
| 4. | Lihue, Kauai | April 20, 2005 |
| 5. | Kahului, Maui | April 21, 2005. |

The table below shows the number of people who attended and testified at the public hearings. A total of 7 people submitted written comments by mail.

Location	Attended	Testified
Hilo, Hawaii	8	3
Kailua-Kona, Hawaii	2	2
Kahului, Maui	5	2
Honolulu, Oahu	10	5
Lihue, Kauai	1	0

In response to comments received during the public review and comment period, changes were made to the proposed rules.

The rules became effective three months after the comparable interim statutory provisions expired on March 30, 2005. Under its authority and duty to administer the law, the department continued to use the interim provisions. The primary use of the interim provisions, before March 30, was to certify redemption centers. Between March 30 and July 1, only one redemption center expansion was approved.

The department has been advised that its authority to adopt rules requiring certified redemption centers to operate during specified days, hours or total number of hours requires finding of a compelling need.

VIII. STAFFING

All previously requested positions are now filled.

Position	Number	Position Filled	SR Rating
Engineer	1	Yes	SR-24
Accountant	1	Yes	SR-20
Account Clerk	1	Yes	SR-8
Environmental Health Specialist III	3	Yes	SR-20

The department seeks to have the existing positions converted from temporary to permanent civil service status as part of the supplemental budget request.

The department will hire two additional environmental health specialists for inspections, another account clerk to assist in program accounting, and a planner to strengthen the program. The department seeks legislative approval of these new positions as part of its supplemental budget request. The department has also hired a Solid Waste Coordinator to supervise the beverage container and other selected solid waste programs.

IX. LEGISLATIVE AUDIT

The program has undergone its first Legislative Audit. The program was seeking and making improvements before the audit started and will continue to do so. The department will use the audit's recommended actions where appropriate. The department has submitted a written response to the draft audit.

X. CLOSING REMARKS

The program has made significant progress in 2005 and continues to work on improvements. We will emphasize improved consumer convenience and verification of claims in 2006, and we have initiatives underway in these areas.

The administration believes that government should continue to seek improvements to the deposit beverage container program, and that comprehensive recycling run by the counties would be a better approach. As many materials as possible should be recycled, and each county knows it's needs best. However, if the deposit beverage container program continues, the administration recommends that the legislature transform it into a system that retailers operate and deal directly with consumers, with a minimal governmental role. Such a system would greatly increase the number of places at which consumers could redeem containers and would reduce the current government expenses. This system would also avoid the need to an increased container fee from the present 1¢ to 1.5¢ when redemption rates exceed 70%, as now required by law. The administration also recommends that the Legislature appropriate a portion of the beverage container special funds to the counties for litter control. This would be consistent with one of the program's goals to reduce litter. There are administration bills before the Legislature to accomplish these ends, i.e., repeal the container fee increase, transform the system, and help county litter control efforts.